

Message Text

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PAGE 01 CARACA 04188 061328Z
ACTION ARA-14

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E.O. 11652: NA
TAGS: BBSR BEXP BENC VE
SUBJECT: PETROLEUM AND GAS EXHIBITION AND SEMINAR

REF: (A) CARACAS 4189 (B) A-44, 4/25/78

1. RECENT MARKET STUDIES OF VENEZUELA'S PETROLEUM SECTOR (REFS A AND B) SHOW U.S. SUPPLIERS OF EQUIPMENT AND SERVICES ENJOYING A VERY LARGE SHARE OF THE VENEZUELAN MARKET IN THE PETROLEUM SECTOR. THE REFINERY STUDY ALSO SHOWS THAT TO DATE U.S. DESIGN, ENGINEERING AND CONSTRUCTION FIRMS HAVE BEEN AWARDED THE MAJOR POST-NATIONALIZATION CONTRACTS UNDER THE REFINERY UPGRADING PROGRAM. EVEN WITH THE MAXIMUM EFFORTS BY U.S. FIRMS AND BY THE USG, HOWEVER, WE DO NOT BELIEVE IT WILL BE POSSIBLE FOR U.S. SUPPLIERS TO MAINTAIN THIS SHARE OF THE MARKET IN THE COMING YEARS. ON THIS POINT, THE MARKET STUDY ON PETROLEUM AND NATURAL GAS EXPLORATION PRODUCTION AND DISTRIBUTION EQUIPMENT MAY IF ANYTHING BE OVER-OPTIMISTIC. IN ADDITION TO THE FACTORS CITED IN SECTION 6.G. OF THE STUDY, THERE IS A STRONG CURRENT WITHIN THE GOV TO LOOK TO NON U.S. SUPPLIERS IN ALL SECTORS (SEE ALSO CARACAS A-31 OF MARCH 29.) WHILE THIS TREND IS LESS EVIDENT SO FAR IN THE PETROLEUM SECTOR THAN IN OTHER AREAS, IT IS INCREASING AND, SINCE NATIONALIZATION, OTHER SUPPLIERS ARE MAKING STRONGER EFFORTS TO ENTER THE MARKET.

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2. IN THIS REGARD, THE EMBASSY CONSIDERS IT EXTREMELY IMPORTANT THAT THE U.S. GOVERNMENT NOT PUBLICIZE THE EXTENT TO WHICH U.S. FIRMS NOW DOMINATE THIS SECTOR, SINCE TO DO SO IS LIKELY TO STRENGTHEN THE HAND OF THOSE IN AND OUT OF THE GOV SEEKING TO DIVERSIFY AWAY FROM U.S. SUPPLIERS. THIS MAY BE A PARTICULARLY SENSITIVE POINT IN THE COMING MONTHS AS A RESULT OF THE POLITICAL CAMPAIGNING LEADING TO THE DECEMBER PRESIDENTIAL ELECTIONS. IT IS THEREFORE

REQUESTED THAT THE DEPARTMENT OF COMMERCE TAKE SPECIAL CARE IN
DISTRIBUTING THESE MARKET STUDIES, AND THAT TO THE
MAXIMUM EXTENT POSSIBLE, REFERENCES TO U.S. MARKET SHARE AND TO THE
EXTENT OF U.S. PARTICIPATION IN THE REFINING PROJECTS BE AVOIDED
IN PUBLICIZING AND PROMOTING THIS EXHIBITION AND SEMINAR.
VAKY

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